ANTON 安東

安東油田服務集團
Anton Oilfield Services Group
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3337)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL SUMMARY

- The Group's consolidated revenue decreased by 5.3% from RMB3,087.7 million in 2020 to RMB2,923.6 million in 2021.
- Profit attributable to the equity holders of the Company was RMB72.2 million in 2021 compare with a loss of RMB95.8 million in 2020.
- The Group's net operating cash inflow was RMB757.2 million, a decrease of 6.0% compare with that in 2020.
- The Board does not recommend the payout of a final dividend for the 12 months ended 31 December 2021.

RESULTS AND PERFORMANCE

The Board of Directors (the "**Board**") of Anton Oilfield Services Group (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2021 (hereinafter referred to as the "**current year**" or the "**reporting period**") and the comparable figures for 2020 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in thousands of Renminbi ("**RMB**"), unless otherwise stated)

	Notes	**Year ended 31 December 2021**	2020
Revenue			
Goods and services	*5*	**2,758,541**	2,823,638
Rental	*5*	**165,025**	264,014
Total revenue	*5*	**2,923,566**	3,087,652
Cost of sales	*6*	**(2,021,306)**	(2,277,830)
Gross profit		**902,260**	809,822
Other gains, net		**24,919**	40,279
Impairment losses under expected credit loss model, net of reversal		**(45,891)**	(83,437)
Selling expenses	*6*	**(140,673)**	(175,487)
Administrative expenses	*6*	**(228,711)**	(198,959)
Research and development expenses	*6*	**(70,766)**	(56,327)
Sales tax and surcharges		**(11,659)**	(11,360)
Operating profit		**429,479**	324,531
Interest income	*7*	**6,205**	18,760
Finance expenses	*7*	**(258,375)**	(312,693)
Finance costs, net	*7*	**(252,170)**	(293,933)
Share of (loss)/profit of a joint venture		**(1,243)**	141
Share of profit of associates		**18**	–
Profit before income tax		**176,084**	30,739
Income tax expense	*8*	**(100,734)**	(114,499)
Profit/(loss) for the year		**75,350**	(83,760)
Profit/(loss) attributable to:			
Owners of the Company		**72,218**	(95,844)
Non-controlling interests		**3,132**	12,084
		75,350	(83,760)
Earnings/(Loss) per share attributable to the owners of the Company for the year (expressed in RMB per share)			
– Basic	*9*	**0.0249**	(0.0322)
– Diluted	*9*	**0.0246**	(0.0322)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Profit/(loss) for the year	**75,350**	(83,760)
Other comprehensive income/(expense), net of tax:		
Items that may be reclassified subsequently to profit or loss		
Net investment hedge	**36,633**	111,612
Financial instruments measured at fair value through other comprehensive income	**1,569**	(7,512)
Currency translation differences	**(57,555)**	(269,051)
Other comprehensive expense for the year, net of tax	**(19,353)**	(164,951)
Total comprehensive income/(expense) for the year	**55,997**	(248,711)
Total comprehensive income/(expense) attributable to:		
– Owners of the Company	**52,865**	(260,795)
– Non-controlling interests	**3,132**	12,084
	55,997	(248,711)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

	Note	As at 31 December **2021**	2020
ASSETS			
Non-current assets			
Property, plant and equipment		**1,997,604**	2,099,390
Right-of-use assets		**103,469**	137,951
Goodwill		**242,004**	242,004
Intangible assets		**285,479**	273,652
Interest in a joint venture		**2,706**	3,949
Interests in associates		**4,018**	2,000
Prepayments and other receivables		**55,017**	66,428
Deferred income tax assets		**19,140**	21,993
		2,709,437	2,847,367
Current assets			
Inventories		**944,959**	930,618
Trade and notes receivables	*10*	**2,096,280**	2,133,789
Contract assets		**20,699**	30,618
Prepayments and other receivables		**789,912**	605,475
Restricted bank deposits		**414,892**	454,169
Cash and cash equivalents		**1,173,186**	879,085
		5,439,928	5,033,754
Total assets		**8,149,365**	7,881,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

		As at 31 December	
	Note	**2021**	2020
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**276,274**	276,273
Reserves		**2,411,146**	2,349,839
		2,687,420	2,626,112
Non-controlling interests		**140,741**	137,609
Total equity		**2,828,161**	2,763,721
LIABILITIES			
Non-current liabilities			
Long-term bonds		**929,984**	1,855,625
Long-term borrowings		**48,152**	131,388
Lease liabilities		**8,236**	31,771
Deferred income tax liabilities		**9,748**	9,998
		996,120	2,028,782
Current liabilities			
Short-term borrowings		**718,125**	763,953
Current portion of long-term bonds		**1,164,144**	11,034
Current portion of long-term borrowings		**83,195**	163,639
Trade and notes payables	*11*	**1,525,467**	1,403,295
Accruals and other payables		**599,158**	534,581
Lease liabilities		**24,426**	34,384
Contract liabilities		**33,400**	37,982
Current income tax liabilities		**177,169**	139,750
		4,325,084	3,088,618
Total liabilities		**5,321,204**	5,117,400
Total equity and liabilities		**8,149,365**	7,881,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2021
(Amounts expressed in thousands of RMB, unless otherwise stated)

	As at 31 December	
	2021	2020
Cash flows from operating activities		
Net cash inflows from operations	**811,752**	859,642
Interest received	**6,205**	18,760
Income tax paid	**(60,712)**	(73,036)
Net cash generated from operating activities	**757,245**	805,366
Cash flows from investing activities		
Purchase of property, plant and equipment	**(178,307)**	(138,485)
Proceeds from disposal of property, plant and equipment	**7,420**	7,558
Purchase of intangible assets	**(48,350)**	(38,992)
Investment in an associate	**(2,000)**	–
Net cash used in investing activities	**(221,237)**	(169,919)
Cash flows from financing activities		
Proceeds from short-term borrowings	**1,005,304**	993,653
Repayments of short-term borrowings	**(1,047,050)**	(728,194)
Proceeds from long-term borrowings	**–**	147,000
Repayments of long-term borrowings	**(163,426)**	(146,915)
Proceeds from long-term bonds	**536,167**	–
Repayments of long-term bonds	**–**	(685,367)
Repurchase of long-term bonds	**(339,535)**	(1,418,078)
Repayments of lease liabilities	**(40,170)**	(43,535)
Proceeds from share options exercised	**6**	–
Capital injection from a non-controlling interest	**–**	70,000
Interest paid	**(177,470)**	(325,568)
Repurchase of ordinary shares	**(19,438)**	(32,600)
Withdrawal of restricted bank deposits	**–**	10,260
Cash received relating to other financing activities	**13,500**	–
Net cash used in financing activities	**(232,112)**	(2,159,344)
Net increase/(decrease) in cash and cash equivalents	**303,896**	(1,523,897)
Cash and cash equivalents at beginning of the year	**879,085**	2,422,874
Exchange loss on cash and cash equivalents	**(9,795)**	(19,892)
Cash and cash equivalents at end of the year	**1,173,186**	879,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousands of RMB, unless otherwise stated)

1. GENERAL INFORMATION

Anton Oilfield Services Group (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in providing oilfield technology services, manufacturing and trading of related products in the People's Republic of China (the "PRC") and other overseas countries. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2007.

The directors of the Company (the "Directors") regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands, as the immediate and ultimate holding company of the Company, which is controlled by Mr. Luo Lin, the Company's controlling shareholder.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendments to IFRS 9, IAS 39, IFRS 7,IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories, or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

The chief executive officer, president, executive vice presidents and Directors are the Group's chief operating decision makers (the "CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Group's reportable segments are entity or group of entities that offer different products and services, which is the basis by which the CODM make decisions about resources to be allocated to the segments and assesses their performance. Financial information of these entities has been separated to present discrete segment information to be reviewed by the CODM.

In 2021, in order to optimise resource allocation and achieve efficient synergy, the CODM assess performance of reportable segments from the previous three of "drilling technology services", "well completion service" and "oil production services" into four new segments as "oilfield technical services", "oilfield management services", "drilling rig services" and "inspection services".

Oilfield technical services cover the full life cycle of oil and gas development, including geological technology, drilling technology, well completion and stimulation technology as well as asset leasing services for the industry.

Oilfield management services are the asset management services the Group provides to the oil companies worldwide, featured with profound capacity and light-asset. The services include integrated field management services, production capacity construction, development management, field operation and maintenance, etc.

Drilling rig services provide customers with services which require rigs, includes drilling and workover services.

Inspection services provide customers with various assets inspection, detections and repairing services together with digital and intelligent transformation solutions, assisting our customers to assure asset security and to achieve energy saving, efficiency lifting, and environment protection.

All of the four reportable segments include a number of direct service provision operations in various cities in China and overseas countries, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into four single reportable segments based on their sharing of similar economic characteristics, including similar nature of the services and products, type of customer for their services and products and the method used to provide their services and distribute their products.

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluate the performance of the operating segments based on profit before income tax expense, certain depreciation and amortisation, interest income, finance expenses, share of profit/(loss) of a joint venture and associates, asset impairment provisions and corporate overheads ("EBITDA") and the reconciliation of EBITDA to profit or loss. The corporate overheads and corporate assets are the general management expenses incurred and assets held by the headquarters of the Group.

	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**	**Total**
For the year ended 31 December 2021					
Revenue	**1,337,515**	**918,867**	**393,589**	**273,595**	**2,923,566**
EBITDA	**506,050**	**392,557**	**137,364**	**96,966**	**1,132,937**
Depreciation and amortisation	**(268,480)**	**(8,077)**	**(55,702)**	**(14,669)**	**(346,928)**
Asset impairment provision of					
– Inventories	**(23,079)**	**(486)**	**(722)**	**–**	**(24,287)**
– Trade receivables	**(37,853)**	**(4,870)**	**(2,099)**	**(1,069)**	**(45,891)**
Interest income	**193**	**2,076**	**45**	**74**	**2,388**
Finance expenses	**(13,045)**	**(5,308)**	**(3,086)**	**(1,270)**	**(22,709)**
Share of loss of a joint venture	**(1,243)**	**–**	**–**	**–**	**(1,243)**
Share of profit of associates	**18**	**–**	**–**	**–**	**18**
Income tax expense	**(23,976)**	**(51,469)**	**(11,883)**	**(13,406)**	**(100,734)**
Segment results	**138,585**	**324,423**	**63,917**	**66,626**	**593,551**
Unallocated corporate overheads					**(518,201)**
Profit for the year					**75,350**
For the year ended 31 December 2020					
Revenue	1,351,095	824,171	725,465	186,921	3,087,652
EBITDA	476,209	321,868	204,839	62,623	1,065,539
Depreciation and amortisation	(259,091)	(6,663)	(59,632)	(14,192)	(339,578)
Asset impairment provision of					
– Inventories	(18,978)	(400)	(593)	–	(19,971)
– Trade receivables	(78,454)	(4,625)	(357)	(1)	(83,437)
Interest income	159	2,631	4	73	2,867
Finance expenses	(14,796)	(6,020)	(3,501)	(1,440)	(25,757)
Share of profit of a joint venture	141	–	–	–	141
Income tax expense	(42,782)	(47,164)	(14,195)	(10,358)	(114,499)
Segment results	62,408	259,627	126,565	36,705	485,305
Unallocated corporate overheads					(569,065)
Loss for the year					(83,760)

	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services	Total
As at 31 December 2021					
Segment assets	**3,977,983**	**867,121**	**811,823**	**339,897**	**5,996,824**
Segment assets include:					
Capital expenditures	**188,128**	**14,372**	**39,333**	**10,817**	**252,650**
As at 31 December 2020					
Segment assets	4,075,443	777,368	828,255	346,776	6,027,842
Segment assets include:					
Capital expenditures	251,198	18,964	52,520	14,669	337,351

Disclosure of liabilities has not been included here because these liabilities balances are not allocated to segments.

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December	
	2021	2020
Assets for reportable segments	**5,996,824**	6,027,842
Corporate assets for general management	**2,152,541**	1,853,279
Total assets	**8,149,365**	7,881,121

The Group allocates revenue on the basis of the location in which the sales are originated.

Geographical Information

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2021	2020	**2021**	2020
PRC	**1,468,002**	1,832,837	**1,788,601**	1,938,609
Republic of Iraq ("Iraq")	**1,038,000**	961,079	**717,840**	723,292
Other countries	**417,564**	293,736	**183,856**	163,473
Total	**2,923,566**	3,087,652	**2,690,297**	2,825,374

Note:

The balance of deferred income tax assets is not included in the balance of non-current assets disclosed here.

Client information

For the year ended 31 December 2021, revenues of approximately RMB1,537,167,000 (2020: RMB1,465,289,000) were derived from two external customers, which contributed 34.52% and 18.06% (2020: 31.40% and 16.06%) to the total revenue respectively. These revenues were mainly attributable to oilfield technical services and oilfield management services segments (2020: oilfield technical services and oilfield management services segments).

5. REVENUE

	Year ended 31 December	
	2021	2020
Sales of goods	**86,750**	21,190
Provision of services	**2,671,791**	2,802,448
	2,758,541	2,823,638
Rental	**165,025**	264,014
	2,923,566	3,087,652

(i) Disaggregation of revenue

	For the year ended 31 December 2021			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Types of goods or service				
Sales of goods	**82,840**	**–**	**3,910**	**–**
Provision of services	**1,089,650**	**918,867**	**389,679**	**273,595**
Total	**1,172,490**	**918,867**	**393,589**	**273,595**
Geographical markets				
PRC	**708,901**	**7,729**	**332,001**	**256,330**
Iraq	**288,100**	**698,419**	**41,071**	**10,410**
Other countries	**175,489**	**212,719**	**20,517**	**6,855**
Total	**1,172,490**	**918,867**	**393,589**	**273,595**
Timing of revenue recognition				
A point in time	**1,172,490**	**–**	**393,589**	**273,595**
Over time	**–**	**918,867**	**–**	**–**
Total	**1,172,490**	**918,867**	**393,589**	**273,595**

Set out below is the reconciliation of the revenue from contracts with customers with segment information.

	For the year ended 31 December 2021			
	Oilfield technical services	**Oilfield management services**	**Drilling rig services**	**Inspection services**
Revenue disclosed in segment information				
External customers *(Note 4)*	**1,337,515**	**918,867**	**393,589**	**273,595**
Rental income	**(165,025)**	**–**	**–**	**–**
Revenue from contracts with customers	**1,172,490**	**918,867**	**393,589**	**273,595**

	For the year ended 31 December 2020			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Types of goods or service				
Sales of goods	20,780	–	410	–
Provision of services	1,066,301	824,171	725,055	186,921
Total	1,087,081	824,171	725,465	186,921
Geographical markets				
PRC	776,793	9,325	604,078	178,627
Iraq	210,753	643,303	99,649	7,374
Other countries	99,535	171,543	21,738	920
Total	1,087,081	824,171	725,465	186,921
Timing of revenue recognition				
A point in time	1,087,081	–	725,465	186,921
Over time	–	824,171	–	–
Total	1,087,081	824,171	725,465	186,921

Set out below is the reconciliation of the revenue from contracts with customers with segment information.

	For the year ended 31 December 2020			
	Oilfield technical services	Oilfield management services	Drilling rig services	Inspection services
Revenue disclosed in segment information				
External customers *(Note 4)*	1,351,095	824,171	725,465	186,921
Rental income	(264,014)	–	–	–
Revenue from contracts with customers	1,087,081	824,171	725,465	186,921

(ii) Performance obligations for contracts with customers

a. Provision of oilfield technical services, drilling rig services, and inspection services

The Group provides oilfield technical services, drilling rig services, and inspection services to customers like large multinational and state-owned oil companies.

Such services are each recognised as a performance obligation in different stages of a contract, with transaction price allocated to the different and separate performance obligations on a relative stand-alone price basis. Revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer. Since the services are expected to meet certain specified technological criteria which are not simply based on size and weight characteristics, the Group cannot objectively determine that the services provided to the customer are in accordance with the agreed-upon specifications in the contract and then the Group would not be able to conclude that the customer has obtained control until it receives the customer's acceptance. Therefore, the revenue from oilfield technical services, drilling rig services, inspection services is recognised at a point when the customer acceptance is concluded.

The Group's contracts for such services include the Group's entitlement to payment which requires customer acceptance.

The contract assets (retention money receivables from large multinational and state-owned oil companies), net of contract liabilities related to the same contract, primarily relate to the Group's right to consideration for services completed and not billed because the rights are conditioned on the Group's achieving specified milestones as stipulated in the contracts at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically agrees to a one-year retention period for 5% of the transaction price for certain customers like some large multinational and state-owned oil companies. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on achieving specified milestones as stipulated in the contracts. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle. The Group typically bills the retention money receivables in one year after the completion of relevant services when trade receivables will be recognised.

b. Provision of oilfield management services

The Group provides oilfield management services which include oilfield-related operation and maintenance services to customers.

Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits during the course of operation and maintenance services provided by the Group based on the fact that these services are routine with no complicated processes involved and customer acceptance is a formality. Revenue from these services is recognised based on hours and unit labour cost using output method.

Payment of the transaction price will be settled monthly over the period of service.

c. Sales of oilfield-related goods

The Group sells oilfield-related goods, such as drilling tools, tubing and casing to customers.

Since the goods are not self-manufactured and the Group is not entitled to payment until the customer receives and accepts the goods, revenue is recognised at a point when control over the corresponding goods is transferred to the customer.

The Group's contracts for such sales of goods include payment in the normal credit term granted to customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	PRC	**Iraq**	**Other countries**
Within one year	**1,807,752**	**1,108,150**	**172,238**
More than one year but not more than two years	**533,622**	**765,433**	**284,536**
More than two years	**–**	**376,724**	**29,003**
	2,341,374	**2,250,307**	**485,777**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognising revenue are as follows:

	PRC	Iraq	Other countries
Within one year	2,138,123	1,152,292	183,416
More than one year but not more than two years	543,576	769,502	272,616
More than two years	–	379,207	30,477
	2,681,699	2,301,001	486,509

(iv) Leases

	Year ended 31 December 2021	Year ended 31 December 2020
For operating leases:		
Lease payments that are fixed	**165,025**	264,014
Total revenue arising from leases	**165,025**	264,014

6. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December 2021	2020
Materials and services purchased	**868,561**	1,020,668
Staff costs	**714,557**	738,742
In which:		
– Salaries and other staff expenses	**686,682**	721,373
– Share-based compensation	**27,875**	17,369
Depreciation	**330,488**	336,274
In which:		
– Property, plant and equipment	**291,112**	294,422
– Right-of-use assets	**39,376**	41,852
Less: Capitalised in inventories	**(21,827)**	(23,180)
	308,661	313,094
Amortisation	**47,894**	34,744
Less: Capitalised in inventories	**(3,587)**	(3,810)
	44,307	30,934
In which:		
– Cost of sales	**37,535**	26,370
– Administrative expenses	**390**	189
– Selling expenses	**17**	19
– Research and development expenses	**6,365**	4,356
Auditor's remuneration		
– Audit and related services	**4,800**	4,700
– Other services	**300**	300
Other operating expenses	**520,270**	600,165
In which:		
– Impairment of inventories	**24,287**	19,971

7. FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
Interest expenses		
– on bank borrowings	**(54,328)**	(56,932)
– on bonds	**(177,846)**	(300,126)
– on lease liabilities	**(4,065)**	(6,847)
Exchange gain, net	**3,573**	85,270
Others	**(25,709)**	(34,058)
Finance expenses	**(258,375)**	(312,693)
Interest income	**6,205**	18,760
	(252,170)	(293,933)

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current income tax		
– PRC enterprise income tax	**23,860**	28,394
– Iraq corporate income tax	**67,638**	67,275
– Others	**6,633**	6,407
Deferred income tax	**2,603**	12,423
	100,734	114,499

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax ("EIT") is provided on the basis of estimated taxable profits of PRC established subsidiaries at applicable tax rate of 25% in 2021 (2020: 25%), based on the relevant PRC tax laws and regulations. Certain subsidiaries have been granted a preferential rate of 15% as high technology enterprises or as enterprises set up in western area of the PRC.

The corporate income tax of Iraq entities is levied at the higher of 7% on the total turnover, or 35% on the net taxable profit.

The taxation of the Group's profit before income tax differs from the theoretical amount that would arise using applicable tax rates of the Group companies as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	**176,084**	30,739
Tax calculated at applicable tax rates	**70,345**	83,654
Income not subject to taxation	**(724)**	(7,357)
Expenses not deductible for taxation purposes	**2,555**	861
Additional deduction of research and development expense	**(5,615)**	(5,030)
Tax losses and deductible temporary difference for which no deferred income tax was recognised	**31,198**	33,968
Utilisation of unused deductible tax losses previously not recognised as deferred income tax	**(5,890)**	(8,515)
Reversal of the deferred tax assets from prior years	**6,600**	14,387
Effect of share of loss/(profit) of a joint venture	**186**	(21)
Effect of share of profit of associates	**(3)**	–
Others	**2,082**	2,552
	100,734	114,499

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to the owners of the Company	**72,218**	(95,844)
Weighted average number of ordinary shares in issue (thousands of shares) *(Note)*	**2,902,002**	2,977,620
Basic earnings/(loss) per share (expressed in RMB per share)	**0.0249**	(0.0322)

Note:

The effect of restricted share award scheme has been included in the calculation of weighted average number of ordinary shares in issue.

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021, the only dilutive factor of the Company was the outstanding unvested restricted shares.

The computation of diluted earnings/loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both year ended 2021 and 2020.

	Year ended 31 December	
	2021	2020
Profit/(loss)attributable to the owners of the Company	**72,218**	(95,844)
Weighted average number of ordinary shares in issue (thousands of shares)	**2,902,002**	2,977,620
Adjustments for the effect of restricted share award scheme (thousands of shares)	**36,475**	–
Weighted average number of ordinary shares for computation of diluted earnings/(loss) per share (thousands of shares)	**2,938,477**	2,977,620
Diluted earnings/(loss) per share (expressed in RMB per share)	**0.0246**	(0.0322)

10. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2021	2020
Trade receivables, net *(a)*		
– contracts with customers	**1,916,216**	1,803,419
– lease receivables	**42,934**	49,287
	1,959,150	1,852,706
Notes receivable *(e)*	**137,130**	281,083
	2,096,280	2,133,789

Notes:

(a) Ageing analysis of carrying value of trade receivables at the reporting date was as follows:

	As at 31 December	
	2021	2020
1 – 6 months	**981,349**	921,222
6 months – 1 year	**374,286**	396,445
1 – 2 years	**304,689**	335,267
2 – 3 years	**149,209**	199,772
Over 3 years	**149,617**	–
	1,959,150	1,852,706

(b) Most of the Group's past-due trade receivables were those receivables aged over one year. As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB377,284,000 (31 December 2020: RMB369,932,000) which are past due but not considered as in default as at the reporting date because the management considered such long ageing items were receivables from customers with good cooperation and would be collected subsequently.

(c) Most of the trade receivables are with credit terms of one year or less. The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables.

As at 31 December 2021, trade receivables of RMB222,786,000 (31 December 2020: RMB754,199,000) were pledged as security for short-term borrowings of RMB212,288,000 (31 December 2020: RMB500,189,000).

As at 31 December 2020, trade receivables from a customer amounting to RMB282,420,000 were pledged as security for long-term borrowings of RMB97,213,000.

(d) Movements of impairment of trade receivables are as follows:

	2021	2020
As at 1 January	**(268,490)**	(185,053)
Addition	**(45,891)**	(83,437)
As at 31 December	**(314,381)**	(268,490)

(e) As at 31 December 2021, total notes received amounting to RMB137,130,000 (31 December 2020: RMB281,083,000) are held by the Group as settlement of corresponding trade receivables. Notes receivable was measured at fair value through other comprehensive income. All notes received by the Group are with a maturity period of less than one year.

(f) Trade and notes receivables were denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	**1,074,138**	1,163,195
United States dollar ("US$")	**999,924**	954,609
Others	**22,218**	15,985
	2,096,280	2,133,789

11. TRADE AND NOTES PAYABLES

	As at 31 December	
	2021	2020
Trade payables	**591,566**	590,670
Notes payable	**933,901**	812,625
	1,525,467	1,403,295

Ageing analysis of trade and notes payables at the reporting date was as follows:

	As at 31 December	
	2021	2020
Less than 1 year	**1,360,747**	1,195,605
1 – 2 years	**61,602**	98,618
2 – 3 years	**54,011**	50,903
Over 3 years	**49,107**	58,169
	1,525,467	1,403,295

Trade and notes payables were denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	**1,432,588**	1,285,721
US$	**73,490**	103,241
Others	**19,389**	14,333
	1,525,467	1,403,295

12. DIVIDENDS

No dividend was declared or paid for ordinary shareholders of the Company during 2021 (2020: Nil).

The Directors have determined that no dividend will be proposed in respect of the current year (Year ended 31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, although the global oil and gas demand gradually recovered from a severe hit by the 2020 epidemic, the pace of oil and gas supply was slower than the increase in demand, oil and gas prices rose sharply during the year.

With the recovery of oil prices, the Group's overseas customers started to speed up their pace of oil and gas development gradually. Existing projects were resumed quickly, and new projects were steadily advanced. The Group actively sought project opportunities and orders in overseas markets increased significantly by 53.2% during the year compared to last year. In terms of project execution, the pace of project execution was slightly slower than before the epidemic, as the construction efficiency of projects was still affected by the persistent epidemic overseas and the emergence of new highly infectious mutated strains. In the Chinese market, to respond to the national strategy of vigorously developing unconventional resources and increasing oil and gas self-sufficiency, there were strong demand for oil and gas development and ample opportunities for projects in the domestic market. However, as oil company clients were strictly maintaining the strategy of price compression implemented during the 2020 epidemic in terms of service prices, to secure new orders, the Group continuously promoted asset-light transformation, strictly implemented a business strategy that took cash flow and return on net assets as primary considerations, and imposed a strict control over projects by selectively participating in the bidding of high-quality market projects and actively pursuing high-quality orders. During the year, the asset-light inspection business of the Group continuously recorded rapid growth.

From the Group-wide perspective, in 2021, the Group's business steadily recovered despite the ongoing epidemic. Although revenue decreased by 5.3% due to the impact of the epidemic on project execution efficiency, the Group's profit attributable to equity holders increased by 175.4% because of its asset-light transformation, strict cost control through continuous refined management as well as the improvement in management efficiency as a result of information construction. In addition, new orders for the year increased by 16.2% compared to 2020, and the order backlog reached a record high, laying a solid foundation for the Group's high growth in the future.

In the context of the global low-carbon development and China's goal to achieve carbon neutrality by 2060, the Group not only actively helped its customers achieve efficiency increase and emissions reduction in conventional oil and gas operations through technical means, but also promoted low-carbon business and digital transformation. The Group established separate business units for a Low Carbon and New Energy Company as well as a Smart Oilfield Technology Company and empowered and collaborated with ecosystem partners through an open and collaborative ecosystem platform to promote the development of low-carbon and new energy business as well as digital business.

In terms of debt management, to further optimize its debt structure and reduce financial risks, the Group proactively carried out active debt management. On 26 July 2021, the Group completed the partial exchange of bonds due on 2 December 2022 (the "**2022 Bonds**") and the concurrent issuance of new bonds. The transaction resulted in the issue of a total of approximately US$61.9 million new bonds in exchange for the old one, and completed the concurrent issuance of a new bonds with the amount of approximately US$88.1 million, a total of US$150.0 million of new bonds were issued. The coupon of the new bond is 8.75% and the maturity is 3.5 years. The bond will be due in January 2025. In the second half of the year, the Group also repurchased the remaining 2022 Bonds through secondary market in line with market conditions, repurchasing a total of USD50,850,000 bonds. As of 31 December 2021, the 2022 Bonds of the Group outstanding was approximately USD177,587,000. These measures greatly reduced the risk of a large amount of bonds to be due for concentrated repayment due to market volatility.

BUSINESS ANALYSIS

Geographical Market Analysis

In 2021, the Group's total revenue amounted to RMB2,923.6 million, representing a decrease of 5.3% compared to the full year of 2020. In breakdown, revenue from the domestic market amounted to RMB1,468.0 million, representing a decrease of 19.9% compared to 2020 and accounting for 50.2% of the Group's total revenue; revenue from the overseas markets amounted to RMB1,455.6 million, representing an increase of 16.0% compared to 2020 and accounting for 49.8% of the Group's total revenue. In particular, revenue from the Iraqi market amounted to RMB1,038.0 million, representing an increase of 8.0% compared to 2020 and accounting for 35.5% of the Group's total revenue; revenues from other overseas markets amounted to RMB417.6 million, representing an increase of 42.2% compared to 2020 and accounting for 14.3% of the Group's total revenue.

Breakdown of Revenue by Market

	Twelve months ended 31 December			**% of total revenue of the Group Twelve months ended 31 December**	
	2021	2020	Change	**2021**	2020
	(RMB'mn)	*(RMB'mn)*	*(%)*		
Domestic	**1,468.0**	1,832.9	-19.9%	**50.2%**	59.4%
Overseas	**1,455.6**	1,254.8	16.0%	**49.8%**	40.6%
Total	**2,923.6**	3,087.7	-5.3%	**100.0%**	100.0%

Overseas Market

	Twelve months ended 31 December			% of total revenue of the Group Twelve months ended 31 December	
	2021	2020	Change	**2021**	2020
	(RMB'mn)	*(RMB'mn)*	*(%)*		
Iraq	**1,038.0**	961.1	8.0%	**35.5%**	31.1%
Other overseas markets	**417.6**	293.7	42.2%	**14.3%**	9.5%
Total	**1,455.6**	1,254.8	16.0%	**49.8%**	40.6%

Chinese Market

In 2021, the epidemic situation in the Chinese market remained under control, and the market was generally stable. Oil companies continued to increase reserves and production, and demand for oilfield services was booming. However, since the market was hit by the epidemic in 2020, customers have continued to maintain strict cost control, and service prices have not recovered to pre-epidemic levels. Under this market situation, the Group continued to implement asset-light transformation, and strived to secure high-quality orders with high technical requirements, good cash flow and high return on equity.

During the year, the asset-light inspection business of the Group continued to develop rapidly, with revenue increasing by 46.4% compared to 2020. The asset-light high-end technical service business also recorded an increase in orders and revenue. Under the goal of achieving carbon neutrality in China in 2060, the Group has also actively promoted the development of low-carbon business and digital business. In particular, the Group has established two dedicated arms of "Low-Carbon and New Energy Technology Company" and "Smart Oilfield Technology Company", which have empowered and collaborated with strategic partners from all walks of life through the Group's comprehensive and open ecological cooperation platform, and provided customers with low-carbon energy and new energy solutions by leveraging on the Group's rich industry experience, technical advantages, and market advantages. This includes actively promoting the construction of natural gas storage, carbon capture and storage, geothermal energy development and utilization, low carbon business consulting, and carbon assets management, as well as providing customers with smart oil and gas field solutions, including integrated smart management solutions for industrial parks, smart security, smart environmental solutions, and smart logistics solutions, with an aim to help customers improve the efficiency of asset management and maximize the value of assets. During the year, the Group assisted oilfield customers to complete the implementation of the first photovoltaic project.

For the full year of 2021, the Company received new orders of approximately RMB2,228.6 million in the domestic market, representing a decrease of approximately 10.6% from RMB2,494.1 million in 2020. The domestic market recorded revenue of approximately RMB1,468.0 million for the year, representing a decrease of approximately 19.9% from RMB1,832.9 million in 2020.

Overseas Markets

In 2021, as the global oil and gas was in short supply and oil prices rose sharply, overseas customers quickly resumed projects and accelerated the kick off of new projects.

Iraqi Market

In 2021, as the epidemic situation in Iraq became more subdued, most of the Group's key projects in the key Iraqi markets have resumed smoothly. In addition, the Group actively explored new markets, and made a breakthrough in the new region of northern Iraq where it secured an order for asset-light services. The integrated oilfield management service project of the Group in the large oilfield in southern Iraq has won high praise from customers for its high-quality services, and completed the first three-year service on 30 June 2021. Upon the successful renewal of the contract, the Group will continue to provide integrated and comprehensive management of the oilfield for the client, including the management of the overall production and operations of the oilfield, oilfield engineering management, and provision of materials and other management support required for the operation of the oilfield. With the renewal, the scope of the contract was further broadened, which include the management of third parties. The project continues with the "2+1" model (two years of services as of the official commencement of the contract with an option by written agreement of the parties to extend for another year of service). In addition to high-quality services, the Group has also been active in taking up its corporate social responsibility to actively help the oilfield and the local community fight against flooding in 2019 and the COVID-19 epidemic in 2020 and 2021, which won the Group high praise from the client, the Ministry of Oil, and local residents. The Group remains committed to providing high-quality services to the client in this oilfield for the long term and actively promoting the integrated oilfield management service model throughout the Iraqi market.

In 2021, the Company received new orders of approximately RMB2,291.3 million in the Iraq market, representing a significant increase of approximately 92.5% from RMB1,190.0 million in 2020, and recorded revenue of approximately RMB1,038.0 million, representing an increase of approximately 8.0% from RMB961.1 million in 2020.

Other Overseas Markets – Emerging Markets

In 2021, the integrated oilfield management project of the Group in Chad, a country in West Africa, maintained stable operation. With the sharp rise in oil prices and the gradual control of the COVID-19 epidemic, other technical service businesses of the Group in emerging markets around the world also recovered rapidly. In addition, the Group actively seized the opportunities of market recovery and strived for breakthroughs in new markets. During the year, the Group made inroads into global emerging markets such as Niger and Australia for the first time, winning orders for asset-light services.

In 2021, the Group's other overseas markets together received new orders of approximately RMB486.8 million, representing a decrease of approximately 21.9% from RMB623.7 million in 2020; the combined revenue reached approximately RMB417.6 million, representing an increase of approximately 42.2% from RMB293.7 million in 2020.

Industry analysis

The Group had adopted a business strategy names "multi-entity operation", aims to foster the Group's business growth by separating the businesses with different business model and operating each of them independently for a full play of each business's advantage and a maximized efficiency. Meanwhile, through the independent operation of these multiple business entities, the financial performance of different business segments with different business models can be more clearly reflected.

To implement this strategy, the Group has re-classified its business segments from the previous three segments of "drilling technology services", "well completion services" and "oil production services" into four segments of "inspection services", "oilfield management services", "oilfield technical services" and "drilling rig services".

The four business segments are briefly introduced as follows:

1. "Inspection services" includes various technical services provided by the Group for the efficient operation of customers' oil and gas field equipment, facilities and assets, including inspection and repair, intelligent monitoring, and digital and intelligent management services of various equipment and facilities, so as to help customers reduce costs, ensure asset safety, achieve energy conservation and efficiency, safety and environmental protection.

2. "Oilfield management services" is a premium light asset management service. The Group has strong integrated service capabilities and provides integrated comprehensive management services for oilfield assets of global oil companies, including comprehensive oilfield management services, capacity construction, oilfield development management, and oilfield operation and maintenance.

3. "Oilfield technical services" is a technical service business with traditional advantages of the Group. Taking reservoir geology technology as the core, it provides customers with geological technology, drilling technology, well completion technology, stimulation technology services and asset leasing services in the industry, so as to improve customer resource development efficiency, energy conservation and emission reduction with precise services.

4. "Drilling rig services" provides customers with related services that require drilling rigs and equipment, including drilling and well workover services that require drilling rigs. It can combine the Group's existing high-quality drilling technology, utilize its own drilling rigs and integrate industry resources to achieve low investment and high-efficiency services.

Current Business Clusters	
Inspection Services	Inspection services
Oilfield Management Services	Integrated oilfield management services
	Oilfield operation and maintenance services
Oilfield technical services	Drilling technology
	Well completion technology
	Stimulation technology
	Asset leasing services
Drilling rig services	Drilling rig services
Previous business clusters	
Drilling technology cluster	Integrated drilling services
	Directional drilling services
	Drilling rig services
	Oilfield waste management services
	Drilling tool rental and services
	Oil production facilities inspection and evaluation services
Well completion cluster	Well completion integration
	Pressure pumping services
	Coiled tubing services
	Fracturing/acidizing and chemical materials
	Gravel packing services
Oil production service cluster	Production operation services
	Workover services
	Oil tubing and casing and anti-corrosion technology service

Product line comparison for segment adjustment:

During the Reporting Period, the Group's revenue from the inspection service segment amounted to RMB273.6 million, representing a significant increase of approximately 46.4% compared to 2020 and accounting for 9.4% of the Group's revenue for 2021; revenue from the oilfield management service segment amounted to RMB918.9 million, representing an increase of approximately 11.5% compared to 2020 and accounting for 31.4% of the Group's total revenue for 2021; revenue from the oilfield technical service segment amounted to RMB1,337.5 million for the year, which representing a decrease of 1.0% compared to RMB1,351.1 million in 2020, accounting for 45.7% of the Group's total revenue; revenue from the drilling rig service segment amounted to RMB393.6 million for the year, representing a decrease of approximately 45.7% from RMB725.5 million in 2020 and accounting for 13.5% of the Group's total revenue.

Revenue Breakdown by Cluster

	Twelve months ended 31 December			% of total revenue Twelve months ended 31 December	
	2021	2020	Change	**2021**	2020
	(RMB'mn)	*(RMB'mn)*	*(%)*		
Inspection service	**273.6**	186.9	46.4%	**9.4%**	6.1%
Oilfield management service	**918.9**	824.2	11.5%	**31.4%**	26.7%
Oilfield technical service	**1,337.5**	1,351.1	-1.0%	**45.7%**	43.8%
Drilling rig service	**393.6**	725.5	-45.7%	**13.5%**	23.4%
Total	**2,923.6**	3,087.7	-5.3%	**100.0%**	100.0%

Inspection service segment

In 2021, the Group's inspection services segment recorded revenue of RMB273.6 million, representing an increase of 46.4% from the revenue of RMB186.9 million in 2020. This segment is an asset-light service segment that the Group has focused on developing in recent years. The Group has various inspection service bases in various regions in China and on-site service bases in overseas markets such as Iraq, Chad and Kazakhstan. Currently, the Group has grown to be a leading independent third-party inspection service provider in the oil and gas field with the most comprehensive service capabilities to assist customers to reduce costs, protect asset safety and achieve energy conservation, efficiency improvement, safety and environmental protection. There are profound business growth opportunities in the future.

The EBITDA of the inspection service segment increased by 55.0% to RMB97.0 million in 2021 from RMB62.6 million in 2020, with an EBITDA margin of 35.5%, an increase of 2.0 percentage points from 33.5% in 2020.

Oilfield management services segment

In 2021, the Group's oilfield management services segment recorded revenue of RMB918.9 million, representing an increase of 11.5% from RMB824.2 million in 2020. This business is premium asset-light management service. The Group has a full set of oil and gas resource development technologies and oil and gas field management professionals to provide customers with optimized oil and gas field management and supporting services and assist customers to maximize asset value. The oilfield management service of the Group covers Iraq, West Africa, China and other markets. Through high-quality management services, the Group has established a solid cooperative relationship with customers. Currently, the Group is actively promoting the further replication of this business model in emerging markets around the world.

Analysis of product lines in the oilfield management service segment:

1) Integrated oilfield management service: During the Reporting Period, the integrated oilfield management service product line recorded a revenue of RMB716.2 million, representing an increase of 12.0% from RMB639.3 million in 2020.

2) Oilfield operation and maintenance service: In 2021, the oilfield operation and maintenance services product line recorded a revenue of RMB202.7 million, representing an increase of 9.6% from RMB184.9 million in 2020.

The EBITDA of the oilfield management service segment increased by 22.0% to RMB392.6 million in 2021 from RMB321.9 million in 2020, with an EBITDA margin of 42.7%, an increase of 3.6 percentage points from 39.1% in 2020.

Oilfield technical services segment

In 2021, the oilfield technical services segment recorded revenue of RMB1,337.5 million, representing a decrease of 1.0% from RMB1,351.1 million in 2020. Oilfield technical service is a technical service business with traditional advantages of the Group. The Group has integrated technical service capabilities covering the entire life cycle of oil and gas development. With reservoir geological technology as the core, the Group provides customers with geological technology, drilling technology, well completion technology, stimulation technical services and asset leasing services in the industry to improve the efficiency of customers' resource development and maximize the value of reservoir assets with precise services. The Group is also actively promoting green transformation and the development of low-carbon new energy business.

Analysis of product lines in the oilfield technical service segment:

1) Drilling technology: During the Reporting Period, the drilling technology product line recorded a revenue of RMB340.8 million, representing a significant increase of 66.4% from RMB204.8 million in 2020. The growth mainly comes from directional drilling sector.

2) Well completion technology: In 2021, this product line recorded a revenue of RMB146.8 million, representing an increase of 30.8% from RMB112.2 million in 2020.

3) Stimulation technology: During the Reporting Period, this product line recorded a revenue of RMB686.5 million, representing a decrease of approximately 10.9% from RMB770.1 million in 2020.

4) Asset leasing services: In 2021, this product line recorded a revenue of RMB163.4 million, representing a decrease of 38.1% from RMB264.0 million in 2020.

The EBITDA of the oilfield technical service segment increased by 6.3% to RMB506.1 million in 2021 from RMB476.2 million in 2020, with an EBITDA margin of 37.8%, an increase of 2.6 percentage points from 35.2% in 2020.

Drilling rig services segment

In 2021, the drilling rig services segment recorded revenue of RMB393.6 million, representing a decrease of 45.7% from RMB725.5 million in 2020, primarily due to the Group's asset-light transformation and the construction of a drilling rig service project of the Group in Iraq having not resumed as a result of the COVID-19 epidemic. Drilling rig service is an asset-heavy business of the Group, which is greatly affected by capital expenditure in the industry. The Group is committed to combining its existing high-quality drilling technology, using its own drilling rig equipment and ecological cooperation platform to integrate industry resources and achieve low-cost and efficient services.

The EBITDA of the drilling rig service segment decreased by 32.9% to RMB137.4 million in 2021 from RMB204.8 million in 2020, with an EBITDA margin of 34.9%, an increase of 6.7 percentage points from 28.2% in 2020.

Strategic Resources Alignment

In 2021, the Group continued to maintain tight control on new capital expenditures and maintain safe levels of liquidity in strict accordance with the "asset-light" business model guideline and firmwide discipline with cash flow management at the core. The capital expenditure for the year amounted to RMB221.2 million, representing an increase of 30.2% from RMB169.9 million in 2020, primarily due to the Group carrying out replacements of some supplementary assets and equipment that have been in use for many years.

Alignment of Investment

In 2021, the Group's investments were mainly in the replacements of some supplementary assets and equipment that has been in use for many years.

Alignment of Research and Development ("R&D")

In 2021, recognizing clients' practical needs for production increase and cost reduction, and along with the increasing demand for efficient and environmentally friendly products under the Group's sustainable development concept, the Group improved and reinvented relevant technologies and tools and promoted the optimization and upgrade of the Group's products through technical cooperation. In 2021, the Group invested RMB70.8 million in research and development, an increase of 25.8% from RMB56.3 million in the previous year. Key research pipelines include:

– Research and application of real-time iterative drilling and fracturing technology

– Research and application of fiber well logging equipment and interpretation software

– Research and application of oil-based completion fluids for ultra-deep wells and ultra-high temperature oil testing

– Development and application of high-end production completion tools

– Research and development of intelligent completion tools

– Automatic fluid control process and technology research project – Phase II

Alignment of Human Resources

In 2021, the Group continued to strengthen the building of human resources through information management and continued to intensify comprehensive training of talents through the Anton Academy to upskill its workforce. During the year, the Group offered 338 training courses to its employees around the world through the Anton Academy, an online platform of the Group, with a total of 639,496 employees participated in online learning.

The Group further promoted the comprehensive upgrading of its corporate culture to strengthen the cultural identity of all employees by sharing its corporate values. Meanwhile, the Group implemented the amoeba management model from the top down by carrying out refined management and all employees participated in the Group's operation. The Group reinforced the management of small teams to create an agile organization structure by giving full play to the merits of employees through individualized incentives and comprehensively encouraging innovation, resource sharing and rapid iteration.

During the pandemic, the Group also endeavored to attract and recruit talents through global online publicity and fully improve work efficiency through performance appraisal and elimination of the least competent. As of 31 December 2021, the Group had a total of 4,270 employees, a net increase of 265 as compared to 31 December 2020.

During the year, the Group, by leveraging the Restricted Share Incentive Scheme, used its own funds to purchase a total of 48,266,000 shares of the Company in the secondary market to incentivize employees and encourage them to make a positive contribution and thrive together with the Group in the long run.

Outlook

After eight years of underinvestment in upstream exploration and development, tight supply of oil and gas has emerged globally. With the recovery of oil and gas demand after the epidemic, the global oil and gas supply and demand has entered into an unbalanced state. The outbreak of the Russian-Ukrainian war further exacerbated the uncertainty of global oil and gas supply. In 2022, global upstream capital expenditure is expected to experience a double-digit growth. Production capacity in the Middle East oil and gas market will be increased to make up for the lack of supply. In China, in view of the requirements of increasing independent energy supply and ensuring energy security and the "dual-carbon" goal, the natural gas industry will step into a period of rapid development. Meanwhile, low-carbon projects and the development of new energy will also experience a rapid growth.

In terms of markets, in the Chinese market, the Group will continue to focus on natural gas development projects, including the development projects of shale gas and other unconventional resources, and help customers increase efficiency, reduce cost and increase production. Meanwhile, the Group will continue to explore new market opportunities relating to the new energy projects under the "dual-carbon" goal of China to provide customers with a full range of services. In the Iraqi market, the Group will continue to actively seek strategic cooperation with the Iraq National Oil Company and local international oil companies to achieve new business breakthroughs in the Iraqi market. In addition, the Group will continue to provide customers with integrated management services in the Majnoon oilfield and explore the market by seeking opportunities to acquire new integrated large-scale projects. In respect of other overseas markets, in the market of Chad in Africa, the Group has successfully completed the renewal of contracts for key oilfield management projects in March 2022 and will continue to pursue opportunities in emerging markets for oil and gas development, and continue to explore opportunities in Central Asia, Africa, Southeast Asia and other new markets, continue to expand market network, explore new markets, and continue to cultivate new mature regional markets.

In terms of products, technologies and service capabilities, the Group will further promote multi-entity operation and development by creating multiple operating entities in such fields as inspection service, oilfield management, oilfield technology and drilling rig services, and promote the independent operation of such entities, encourage them to fully leverage their strengths in their respective fields to realize efficient cooperation and coordinated development. Meanwhile, the Group will continue to promote all-round innovation, encourage every product line and every segment to seek innovation in light of its own characteristics to launch new products and continuously improve and enrich the Group's comprehensive service model to meet customers' demands and improve operation efficiency.

In terms of strategic resources alignment, the Group will continue to adopt a diversified and open cooperation model to carry out strategic cooperation with various partners, and continue to implement the "New Anton" ecological and platform-based development strategy to realize the ecological development of the oil service industry of China.

On the financial side, the Group will seize market opportunities to achieve growth in both revenue and profit; adhere to the principle of "cash first" to pursue steady and healthy cash flow; ensure timely repayment of bonds through solid financial management; and promote asset securitization and optimize capital structure by carrying out multi-entity operation strategy.

In terms of environmental, social and governance (ESG), our vision is to become "a model of harmonious development between man and environment" and the Group will continue to promote green development with technology and efficient services, continue to actively fulfill corporate social responsibilities, cultivate talents, help communities, promote social progress and ensure its continuous growth with a scientific governance structure, so as to become a model enterprise in the industry.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2021 was RMB2,923.6 million, representing a decrease of RMB164.1 million or 5.3% from RMB3,087.7 million in 2020.

Costs of Sales

Cost of sales decreased by 11.3% from RMB2,277.8 million in 2020 to RMB2,021.3 million in 2021.

Other Gains

Other gains decreased by RMB15.4 million from RMB40.3 million in 2020 to RMB24.9 million in 2021.

Impairment Loss on Financial Assets

Impairment loss on financial assets decreased from RMB83.4 million in 2020 to RMB45.9 million in 2021, down 45.0%.

Selling Expenses

Selling expenses were RMB140.7 million in 2021, representing a decrease of RMB34.8 million, or 19.8%, from RMB175.5 million in 2020.

Administrative Expenses

Administrative expenses were RMB228.7 million in 2021, an increase of RMB29.7 million, or 15%, compared to RMB199.0 million in 2020.

R&D Expenses

Research and development expenses were RMB70.8 million in 2021, an increase of RMB14.5 million, or 25.6%, compared to RMB56.3 million in 2020.

Sales Tax and Surcharges

Sales tax and surcharges amounted to RMB11.7 million in 2021, representing an increase of RMB0.3 million, or 2.6%, from RMB11.4 million in 2020.

Operating Profit

Operating profit in 2021 was RMB429.5 million, an increase of RMB105.0 million, or 32.4%, from RMB324.5 million in 2020. The operating profit margin in 2021 was 14.7%, up 4.2 percentage points from 10.5% in 2020.

Net Finance Costs

In 2021, net finance costs were RMB252.2 million, representing a decrease of approximately RMB41.7 million compared to RMB293.9 million in 2020.

Income Tax Expense

In 2021, income tax expense was RMB100.7 million, a decrease of RMB13.8 million from RMB114.5 million in 2020.

Profit/Loss for the Year

The Group reported a profit of RMB75.4 million in 2021, compared to a loss of RMB83.8 million in 2020.

Profit/Loss Attributable to Equity Holders of the Company

In 2021, the Group's profit attributable to equity holders of the Company was RMB72.2 million, compared to a loss of RMB95.8 million in 2020.

Trade and Notes Receivables

As at 31 December 2021, the Group's net trade and notes receivables amounted to RMB2,096.3 million, representing a decrease of RMB37.5 million as compared to 31 December 2020. The average trade receivable turnover days for the year was 235 days, representing an increase of 226 days as compared to 2020.

Inventories

As at 31 December 2021, the value of the Group's inventories was RMB945.0 million, representing an increase of RMB14.3 million compared to that of 31 December 2020.

Liquidity and Capital Resources

As at 31 December 2021, the Group had cash and bank deposits of approximately RMB1,588.1 million (including: restricted bank deposits, cash and cash equivalents), representing an increase of RMB254.8 million as compared to 31 December 2020.

The Group's outstanding short-term borrowings as at 31 December 2021 amounted to approximately RMB718.1 million. Approximately RMB802.8 million of the credit facilities underwritten to the Group by domestic banks remained unused.

As at 31 December 2021, the Group's gearing ratio was 61.4%, the same as the gearing ratio of 61.4% as at 31 December 2020. The calculation of gearing is based on total borrowings divided by total capital. Total borrowings include borrowings, bonds, lease liabilities and trade and notes payables (as shown in the consolidated statement of financial position). Total capital is calculated based on equity (as shown in the consolidated statement of financial position) plus total borrowings.

As at 31 December 2021, equity attributable to equity holders of the Company was RMB2,687.4 million, an increase of RMB61.3 million from RMB2,626.1 million as at 31 December 2020.

Acquisition and Disposal of Major Subsidiaries, Associates and Joint Ventures

During the twelve months ended 31 December 2021, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Exchange Risk

The Group conducts its business mainly in RMB and USD, and some of its import and export purchases are settled in foreign currencies. The Group considers that the exchange risk involved in the Group's settlement amounts denominated in foreign currencies is not material. The Group's exchange risk mainly arises from its foreign currency deposits, trade receivables and long-term bonds denominated in foreign currencies. Fluctuations in the exchange rate of RMB against USD may adversely affect the Group's operating results and financial position.

Cash Flow from Operating Activities

For the twelve months ended 31 December 2021, the Group's net cash flow from operating activities was a net inflow of RMB757.2 million for the year, representing a decrease of RMB48.1 million over 2020.

Capital Expenditure and Investment

The Group's net capital expenditure for the year 2021 was RMB221.2 million, of which RMB170.9 million was invested in fixed assets, RMB48.3 million in intangible assets and RMB2 million in an associate.

Contractual Commitments

The Group's contractual commitments mainly comprise its capital commitments, which stood at approximately RMB71.7 million as at 31 December 2021 (but not yet provisioned for in the consolidated statement of financial position).

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at 31 December 2021, the Group's assets pledged for bank financing were property, plant, machinery and equipment with a net book value of RMB84.2 million, right-of-use assets with a net book value of RMB5.4 million, and trade receivables with a net book value of RMB222.8 million.

Off-Balance Sheet Arrangements

As at 31 December 2021, the Group did not have any off-book arrangements.

FINAL DIVIDENDS

The Board does not recommend the payout of a final dividend for the year ended 31 December 2021 (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 25 May 2022 (Wednesday) and the notice of the AGM will be published and dispatched to the shareholders of the Company in due course in the form prescribed under the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2022 (Friday) to 25 May 2022 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfers accompanied by the relevant documentation and share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 19 May 2022 (Thursday).

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

DIRECTOR'S SECURITIES TRANSACTIONS

The directors of the Company (the "**Directors**") have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of practice for securities transactions by the Directors. Having made specific inquiry with all the Directors, the Company confirms that all Directors have fully complied with the applicable requirements stipulated in the said rules throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

On 26 July 2021, the Company issued US$150,000,000 aggregate principal amount of the 8.75% senior notes due 2025 (the "**2025 Notes**"), of which US$88,097,000 aggregate principal amount of the notes were newly issued and US$61,903,000 aggregate principal amount of the notes were issued in exchange for the Company 7.5% senior notes due 2022 (the "2022 Notes"). During the reporting period, the Group repurchased USD50,850,000 aggregate principal amount of the 2022 Notes in the secondary market.

During the reporting period, the Group purchased a total of 48,266,000 shares of the Company with the Company's own funds, representing 1.61% of the total number of issued shares of the Company as at the date of this announcement, in the secondary market for the Restricted Share Incentive Scheme of the Company.

Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or repurchased any of the Company's listed securities during the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of all the Independent Non-executive Directors of the Company, namely Mr. ZHU Xiaoping, Mr. ZHANG Yongyi and Mr. WEE Yiaw Hin. The chairman of the Audit Committee is Mr. ZHU Xiaoping. The Audit Committee has reviewed the financial results for the year ended 31 December 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in the announcement of the Company dated 29 March 2022 in relation to the annual results of the Group for the year ended 31 December 2021 (the "**2021 Results Announcement**") have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the 2021 Results Announcement."

PUBLICATION OF ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.antonoil.com). The annual report of the Company for the year ended 31 December 2021, which contains all the data required by the Listing Rules, will be distributed in due course to the shareholders of the Company and posted on the above-mentioned websites for review.

By order of the Board
Anton Oilfield Services Group
Chairman
LUO Lin

Hong Kong, 29 March 2022

As at the date of this announcement, the Executive Directors are Mr. LUO Lin, Mr. PI Zhifeng and Mr. FAN Yonghong; the Non-Executive Director is Mr. HUANG Song; and the Independent Non-executive Directors are Mr. ZHANG Yongyi, Mr. ZHU Xiaoping and Mr. WEE Yiaw Hin.